

**REPORT OF THE AUDIT OF THE  
ROWAN COUNTY  
SHERIFF**

**For The Period January 1, 2002  
Through November 30, 2002**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**ROWAN COUNTY SHERIFF**

**For The Period January 1, 2002**  
**Through November 30, 2002**

The Auditor of Public Accounts has completed the Rowan County Sheriff's audit for the period January 1, 2002 through November 30, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Rowan County Sheriff's office generated operating receipts of \$526,971 and had operating disbursements of \$427,549 for the period January 1, 2002 through November 30, 2002. After paying the Sheriff's statutory maximum of \$61,147 and training incentive of \$2,965, excess fees were \$35,310.

**Report Comment:**

- Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Debra Eucker, Commissioner, Department of Law, Revenue Cabinet

Honorable Clyde A. Thomas, Rowan County Judge/Executive

Honorable Jack Carter, Rowan County Sheriff

Members of the Rowan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Rowan County, Kentucky, for the period January 1, 2002 through November 30, 2002. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the period January 1, 2002 through November 30, 2002, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Debra Eucker, Commissioner, Department of Law, Revenue Cabinet  
Honorable Clyde A. Thomas, Rowan County Judge/Executive  
Honorable Jack Carter, Rowan County Sheriff  
Members of the Rowan County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 27, 2003



ROWAN COUNTY  
JACK CARTER, COUNTY SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Period January 1, 2002 Through November 30, 2002

Receipts

Federal Grants		\$	19,359
Federal Contracts			17,125
State - Kentucky Law Enforcement Foundation Program Fund			28,255
State Fees For Services: Finance and Administration Cabinet			17,755
Circuit Court Clerk:			
Sheriff Security Service	\$	25,981	
Fines and Fees Collected		<u>491</u>	26,472
Fiscal Court			70,841
County Clerk - Delinquent Taxes			3,593
Commission On Taxes Collected			194,026
Fees Collected For Services:			
Auto Inspections	\$	4,515	
Serving Papers		<u>16,880</u>	21,395
Other:			
Carrying Concealed Deadly Weapon Permits	\$	5,100	
Tax Collection Fees		25,641	
Miscellaneous		<u>2,774</u>	33,515
Interest Earned			235
Borrowed Money:			
Bank Note	\$	10,000	
State Advancement		<u>84,400</u>	94,400
Total Receipts			<u>\$ 526,971</u>

The accompanying notes are an integral part of this financial statement.

ROWAN COUNTY  
 JACK CARTER, COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Period January 1, 2002 Through November 30, 2002  
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-	
Deputies' Salaries	\$ 144,408
Part-Time Salaries	4,436
Other Salaries	60,056
Employee Benefits-	
Employer's Share Social Security	19,165
Contracted Services-	
Advertising	4,763
Professional Services	3,550
Drug Screening	48
Materials and Supplies-	
Office Materials and Supplies	8,407
Uniforms	6,436
Auto Expense-	
Maintenance and Repairs	33,046
Other Charges-	
Bond	561
Cell Phone, Radio, and Pager	4,221
Computer Software	3,340
Conventions and Travel	6,600
Carrying Concealed Deadly Weapon Permits	3,000
Dues	125
Fiscal Court Service Fees	5,490
Postage	4,791
Miscellaneous	190
Capital Outlay-	
Office Equipment	626
Vehicle Equipment	1,282

The accompanying notes are an integral part of this financial statement.

ROWAN COUNTY  
 JACK CARTER, COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Period January 1, 2002 Through November 30, 2002  
 (Continued)

Disbursements (Continued)

Debt Service:

Bank Note	\$	10,175	
State Advancement		84,400	
Vehicle Payments		<u>18,433</u>	

Total Disbursements			\$	<u>427,549</u>
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Net Receipts			\$	99,422
Less: Statutory Maximum	\$	61,147		
Training Incentive Benefit		<u>2,965</u>		<u>64,112</u>

Excess Fees			\$	35,310
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Payments to County Treasurer - January 21, 2003	\$	34,548		
August 19, 2003		<u>762</u>		<u>35,310</u>

Balance Due at Completion of Audit			\$	<u><u>0</u></u>
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The accompanying notes are an integral part of this financial statement.

ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENT

November 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at November 30, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the period and 6.34 percent for the remainder of the period ended November 30, 2002. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENT  
November 30, 2002  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of November 30, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Notes Payable

- A. The Office of the County Sheriff is liable for a note payable to the Peoples Bank in the original amount of \$8,114 at an interest rate of 8.75%. The note was for the purchase of a 1998 Mercury Grand Marquis. The note requires 36 monthly payments in the amount of \$257 to be paid in full on February 1, 2005. As of November 30, 2002, the principal balance was \$6,278.
- B. The Office of the County Sheriff is liable for a note payable to U.S. Bank in the original amount of \$13,155 at an interest rate of 4.99%. The note was for the purchase of a 1999 Chevy Blazer. The note requires 48 monthly payments in the amount of \$304 to be paid in full on November 19, 2006. As of November 30, 2002, the principal balance was \$13,155.

Note 5. Capital Lease

On November 5, 2002, the Sheriff entered into a capital lease agreement with U.S. Bank for a 2003 Dodge Durango. The terms of the agreement require 48 monthly payments of \$569. As of November 30, 2002, the balance outstanding was \$27,237.

ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENT  
November 30, 2002  
(Continued)

Note 6. Operating Lease

On April 26, 2001, the Sheriff entered into a lease agreement with General Motors Acceptance Corporation for a 2000 Chevy Blazer in the amount of \$19,613. The terms of the agreement require 48 monthly payments of \$463. As of November 30, 2002, the balance outstanding was \$12,954.

Note 7. Federal Contract

The Sheriff received \$17,125 from the U.S. Department of Agriculture for providing forest patrol service at the Daniel Boone National Forest.

Note 8. Federal Grant

On December 27, 2001, the Sheriff was awarded a Domestic Violence Enforcement Grant in the amount of \$31,195. The Sheriff spent funds totaling \$19,359 through November 30, 2002, leaving a balance of \$11,836.

COMMENT AND RECOMMENDATION





ROWAN COUNTY  
JACK CARTER, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

For The Period January 1, 2002 Through November 30, 2002

STATE LAWS AND REGULATIONS:

None.

INTERNAL CONTROL - REPORTABLE CONDITION:

Lacks Adequate Segregation Of Duties

During our audit we noted the Sheriff's office internal control structure lacked an adequate segregation of duties. This deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. In our judgment, this condition could adversely affect the Sheriff's ability to record, process, summarize, and report accurate financial information. We recommend the Sheriff obtain additional staff to divide the responsibilities or implement the following compensating controls that would help offset the lack of adequate segregation of duties:

- Cash periodically recounted and deposited by the Sheriff
- Periodic reconciliation of reports to source documents and receipts and disbursements ledgers by the Sheriff
- All disbursement checks are to be signed by two people and one must be the Sheriff
- The Sheriff examines payroll checks prepared by employee and distributes checks to employees
- The Sheriff, for proper documentation, examines all other disbursement checks prepared by employee
- The Sheriff mails disbursements
- The Sheriff or someone independent of the Sheriff's office prepares the bank reconciliation

*County Sheriff's Response:*

*I will make an effort to do this.*

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

- Lacks Adequate Segregation Of Duties

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

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Members of the Rowan County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of receipts, disbursements, and excess fees of the Rowan County Sheriff for the period January 1, 2002 through November 30, 2002, and have issued our report thereon dated August 27, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Rowan County Sheriff's financial statement for the period January 1, 2002 through November 30, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rowan County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 27, 2003

